

TOWN OF COVENTRY, VERMONT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORTS
JUNE 30, 2020

TOWN OF COVENTRY, VERMONT

JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

The Select Board
Town of Coventry, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Coventry, Vermont, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified and qualified audit opinions.

Opinions

Basis for Qualified Opinions on Governmental Activities, General Fund, and Other Remaining Fund

We were unable to obtain sufficient appropriate audit evidence about the amount recognized for delinquent property tax receivables, as of June 30, 2020, due to potential deficiencies in the Town's Grand List and incomplete records from prior years. The amount by which this scope limitation could affect the assets, deferred outflows, liabilities, deferred inflows, fund balance, revenues and expenditures of the General Fund has not been determined. We were unable to obtain sufficient appropriate audit evidence about the amount recognized as a note and interest receivable in the other remaining fund information. The amount by which this scope limitation could affect the assets, deferred outflows, liabilities, deferred inflows, fund balance, revenues and expenditures of the other remaining fund information has not been determined. The amount by which the above scope limitations could affect the assets, deferred outflows, liabilities, deferred inflows, net position, revenues, and expenses of the governmental activities has not been determined.

Qualified Opinions

In our opinion, except for the effects of the matters described in the “Basis for Qualified Opinions on Governmental Activities, General Fund, and Other Remaining Fund Information” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, General Fund, and other remaining fund information of the Town of Coventry, Vermont, as of June 30, 2020, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, other than the General Fund, of the Town of Coventry, Vermont as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of the proportionate share of the net pension liability and schedule of pension contributions on pages 21 to 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Coventry, Vermont’s basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects described in the basis for qualified opinions paragraph, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Select Board
Town of Coventry, Vermont

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2021, on our consideration of the Town of Coventry, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Coventry, Vermont's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Coventry, Vermont's internal control over financial reporting and compliance.

Pace & Hawley, LLC

Berlin, Vermont
July 16, 2021

TOWN OF COVENTRY, VERMONT
Statement of Net Position
June 30, 2020

	<u>Governmental Activities</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 3,094,346
Investments	8,432,323
Landfill host fees receivable	386,812
Due from other governments	68,024
Property taxes, penalties and and interest receivable, net	37,024
Notes receivable	86,500
Interest receivable on notes	24,297
Prepaid expenses	16,004
Other assets	1,122
Total current assets	<u>12,146,452</u>
Noncurrent assets:	
Capital assets	3,687,518
(Accumulated depreciation)	<u>(1,280,947)</u>
Total noncurrent assets	<u>2,406,571</u>
Total assets	<u>14,553,023</u>
Deferred outflows of resources	
Pension related - VMERS	<u>40,314</u>
Liabilities	
Current liabilities:	
Accounts payable	412,813
Accrued payroll and benefits	4,795
Other liabilities	6,305
Due to fiduciary activities	<u>2,274</u>
Total current liabilities	<u>426,187</u>
Noncurrent liabilities:	
Net pension liability - VMERS	<u>81,929</u>
Total liabilities	<u>508,116</u>
Deferred inflows of resources	
Pension related - VMERS	<u>708</u>
Net position	
Net investment in capital assets	2,406,571
Restricted	143,971
Unrestricted	<u>11,533,971</u>
Total net position	<u>\$ 14,084,513</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF COVENTRY, VERMONT
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities					
General government	\$ 471,829	\$ 20,043	\$ 5,871	\$ -	\$ (445,915)
Highways	778,147	-	103,048	120,000	(555,099)
Public safety	99,598	-	-	-	(99,598)
Solid waste	7,844	-	-	-	(7,844)
Culture and recreation	26,612	-	-	-	(26,612)
Cemetery	10,629	400	14,980	-	4,751
Total governmental activities	\$ 1,394,659	\$ 20,443	\$ 123,899	\$ 120,000	(1,130,317)
General revenues					
					14,543
					1,625,138
					414,804
					10,783
					2,065,268
					934,951
					13,149,562
					\$ 14,084,513

The accompanying notes are an integral part of these financial statements.

TOWN OF COVENTRY, VERMONT
Balance Sheet - Governmental Funds
June 30, 2020

	General Fund	Highway Fund	Building and Maintenance Fund	Road Infrastructure Fund	Non-major Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 1,068,347	\$ -	\$ 702,597	\$ 830,827	\$ 492,575	\$ 3,094,346
Investments	8,288,752	-	-	-	143,571	8,432,323
Landfill host fees receivable	386,812	-	-	-	-	386,812
Due from other governments	64,633	-	-	-	3,391	68,024
Property taxes, penalties and interest receivable, net	37,024	-	-	-	-	37,024
Notes receivable	-	-	-	-	86,500	86,500
Interest receivable on notes	-	-	-	-	24,297	24,297
Prepaid expenditures	16,004	-	-	-	-	16,004
Other assets	1,122	-	-	-	-	1,122
Due from other funds	-	-	314,204	-	831	315,035
Total assets	\$ 9,862,694	\$ -	\$ 1,016,801	\$ 830,827	\$ 751,165	\$ 12,461,487
Liabilities, deferred inflows of resources and fund balances						
Liabilities:						
Accounts payable	\$ 412,813	\$ -	\$ -	\$ -	\$ -	\$ 412,813
Accrued payroll & benefits	4,650	145	-	-	-	4,795
Other liabilities	6,305	-	-	-	-	6,305
Due to other funds	144,485	50,197	-	79,301	43,326	317,309
Total liabilities	568,253	50,342	-	79,301	43,326	741,222
Deferred inflows of resources:						
Unavailable grant revenue	-	-	-	-	110,797	110,797
Fund balance:						
Nonspendable	16,004	-	-	-	-	16,004
Restricted	-	-	-	-	143,971	143,971
Committed	-	-	1,016,801	751,526	479,419	2,247,746
Unassigned	9,278,437	(50,342)	-	-	(26,348)	9,201,747
Total fund balance	9,294,441	(50,342)	1,016,801	751,526	597,042	11,609,468
Total liabilities, deferred inflows of resources and fund balances	\$ 9,862,694	\$ -	\$ 1,016,801	\$ 830,827	\$ 751,165	\$ 12,461,487

The accompanying notes are an integral part of these financial statements.

TOWN OF COVENTRY, VERMONT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2020

Total fund balances - governmental funds		\$ 11,609,468
<p>Amounts reported for governmental activities in the government-wide statement of net position are different because:</p>		
<p>Capital assets used in governmental funds are not current financial resources and therefore are not reported in the governmental funds balance sheet:</p>		
Capital assets		3,687,518
(Accumulated depreciation)		(1,280,947)
<p>Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows in the governmental funds balance sheet:</p>		
		110,797
<p>Deferred outflows of resources, deferred inflows of resources and the net pension liability related to the Town's proportionate share of the VMERS pension plan are not reported in the governmental funds balance sheet</p>		
		<u>(42,323)</u>
Net position - governmental activities		\$ <u>14,084,513</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF COVENTRY, VERMONT
Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds
For the Year Ended June 30, 2020

	General Fund	Highway Fund	Building and Maintenance Fund	Road Infrastructure Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues						
Interest & penalties on delinquent taxes	\$ 14,543	\$ -	\$ -	\$ -	\$ -	\$ 14,543
Intergovernmental	4,726	84,070	-	135,586	9,262	233,644
Charges for services	15,318	-	-	-	400	15,718
Landfill host fees	1,378,138	247,000	-	-	-	1,625,138
Donations	-	-	-	-	14,980	14,980
Investment income (loss)	390,326	-	11,045	7,045	6,388	414,804
Miscellaneous	10,416	367	-	-	-	10,783
Total revenues	<u>1,813,467</u>	<u>331,437</u>	<u>11,045</u>	<u>142,631</u>	<u>31,030</u>	<u>2,329,610</u>
Expenditures						
Current:						
General government	350,938	-	4,334	-	87,219	442,491
Appropriations	15,425	-	-	-	-	15,425
Highways	-	315,514	-	369,863	28,953	714,330
Public safety	99,598	-	-	-	-	99,598
Solid waste	7,844	-	-	-	-	7,844
Culture and recreation	3,612	-	-	-	-	3,612
Cemetery	10,221	-	-	-	-	10,221
Capital outlay	-	-	-	213,235	-	213,235
Total expenditures	<u>487,638</u>	<u>315,514</u>	<u>4,334</u>	<u>583,098</u>	<u>116,172</u>	<u>1,506,756</u>
Excess of revenues or (expenditures)	<u>1,325,829</u>	<u>15,923</u>	<u>6,711</u>	<u>(440,467)</u>	<u>(85,142)</u>	<u>822,854</u>
Other financing sources (uses)						
Transfers in (out)	<u>(600,000)</u>	<u>-</u>	<u>-</u>	<u>400,000</u>	<u>200,000</u>	<u>-</u>
Net change in fund balances	725,829	15,923	6,711	(40,467)	114,858	822,854
Fund balances, beginning of year	<u>8,568,612</u>	<u>(66,265)</u>	<u>1,010,090</u>	<u>791,993</u>	<u>482,184</u>	<u>10,786,614</u>
Fund balances, end of year	<u>\$ 9,294,441</u>	<u>\$ (50,342)</u>	<u>\$ 1,016,801</u>	<u>\$ 751,526</u>	<u>\$ 597,042</u>	<u>\$ 11,609,468</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF COVENTRY, VERMONT
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

Net change in fund balances - governmental funds	\$	822,854
<p>Amounts reported for governmental activities in the government-wide statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is depreciated over their estimated useful lives:</p>		
Expenditures for capital assets		213,235
Current year depreciation		(82,938)
<p>The Town's contribution to VMERS is recorded as an expenditure in the governmental funds. However, in the statement of activities pension expense is actuarially determined.</p>		
		<u>(18,200)</u>
Change in net position - governmental activities	\$	<u>934,951</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF COVENTRY, VERMONT
Statement of Fiduciary Net Position
June 30, 2020

	<u>Private Purpose Trust Funds</u>
Assets	
Investments	\$ 122,106
Due from other funds	<u>2,274</u>
Total assets	<u>124,380</u>
Liabilities and net position	
Liabilities	<u>-</u>
Net position:	
Restricted for:	
Edmunds-Douglas-Price Trust	\$ <u>124,380</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF COVENTRY, VERMONT
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2020

	Private Purpose Trust Funds
Additions	
Investment income	\$ <u>42,924</u>
Deductions	<u>-</u>
Change in net position	42,924
Net position, beginning of year	<u>81,456</u>
Net position, end of year	\$ <u>124,380</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF COVENTRY, VERMONT
Notes to Financial Statements
June 30, 2020

1. Summary of significant accounting policies

The Town of Coventry, Vermont (the Town) is a unit of local government organized under the statutes of the State of Vermont. The Town operates under a Select Board form of government and provides the following services: public safety, streets and highways, public improvements, planning and zoning, and general administrative services.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements of the Town have been prepared in conformity with generally accepted accounting principles as applied to governmental entities. The following is a summary of the Town's more significant accounting policies:

A. Reporting entity - The Town is a primary government under reporting criteria established by the GASB. In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units and evaluated them against the criteria established by the GASB. Based on these criteria, there are no other entities that are considered to be component units of the Town that should be included in these financial statements.

B. Basis of presentation

Fund accounting: The accounts of the Town are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Government-wide statements: The statement of net position and the statement of activities present financial information about the Town's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. The effect of interfund activity has been removed from these statements. Governmental activities include programs, which normally are supported by taxes and intergovernmental revenues. The Town has no business-type activities that rely to a significant extent on fees charged for support.

Fund financial statements: Fund financial statements are presented according to each fund category; governmental and fiduciary. Separate financial statements are provided for each of these categories. Major governmental funds are reported as separate columns in the fund financial statements. All remaining funds are aggregated and reported as non-major funds.

The Town reports the following major governmental funds:

General Fund - This fund is used to account for the primary activity of the Town. Property tax revenues and other sources of revenue used to finance the fundamental operations of the Town are included in this fund. This fund is charged with all costs of operating the government for which a separate fund has not been established.

Highway Fund - This special revenue fund is used to account for activities related to the highway department.

Building and Maintenance Fund - This special revenue fund is used to account for resources held by the Town for building repairs and maintenance.

Road Infrastructure Fund - This special revenue fund is used to account for resources held by the Town for road infrastructure repairs and maintenance.

TOWN OF COVENTRY, VERMONT
Notes to Financial Statements
June 30, 2020

1. Summary of significant accounting policies (continued)

The Town also reports fiduciary activities for the Edmunds-Douglas-Price Endowment Trust.

- C. Measurement focus and basis of accounting - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. Measurement focus refers to what items are reported on the financial statements. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when they occur, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this model, revenues are recognized when both measurable and available for use. Expenditures are recorded when the liability has occurred if measurable. Measurable means that the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the fiscal year and other revenues to be available if they are collected within 6 months of the end of the fiscal year. Expenditures related to principal and interest on long-term debt that has not matured, compensated absences, and claims and judgments are recorded only when payment is due.

Fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Additions are recorded when they occur and deductions when a liability has occurred, regardless of the related cash flows.

- D. Governmental fund equity - In the fund financial statements, governmental fund balance is presented in five possible categories:

Nonspendable – Resources which cannot be spent because they are either a) not in spendable form; or b) legally or contractually required to be maintained intact.

Restricted – Resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed – Resources which are subject to limitations the government imposes upon itself at its highest level of decision-making, and that remain binding unless removed in the same manner. For the purposes of defining the committed fund balance category, the Town considers the taxpayers, through voted Town articles, its highest level of decision-making authority.

Assigned – Resources neither restricted nor committed for which a government has a stated intended use as established by the Select Board or a body or official to which the Select Board has delegated the authority to assign amounts for specific purposes.

Unassigned – Resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include any negative residual balance resulting from expenditures exceeded amounts restricted, committed or assigned for a specific purpose.

TOWN OF COVENTRY, VERMONT
Notes to Financial Statements
June 30, 2020

1. Summary of significant accounting policies (continued)

For the classification of governmental fund balances, the Town does not have a formal policy regarding which classification should be reduced first when more than one classification is available. However, the Town has generally considered an expenditure to be made from the most restrictive first when more than one classification is available unless specifically determined.

- E. Budgetary accounting - The operating budgets of the General Fund and the Highway Fund are prepared by the Town on the modified accrual basis of accounting. The budget is approved at Town Meeting and the Select Board sets the municipal property tax rate based on the grand list and approved budget.
- F. Estimates - The preparation of the financial statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and, disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues, expenditures, or expenses, during the reported period. Actual results could differ from those estimates.
- G. Cash and cash equivalents - Cash and cash equivalents consists of cash and short-term investments with an original maturity of three months or less.
- H. Investments - Investments are recorded at fair value based on quoted market prices. Unrealized gains and losses in the value of investments are included in revenue.
- I. Receivables - The Town reports property taxes and related interest receivables, net of an allowance for doubtful accounts. As of June 30, the 2020, the allowance for doubtful accounts associated with property taxes and related interest was \$10,000.
- J. Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure are reported in the applicable governmental or business-type activities columns in the government-wide statements and in the proprietary fund financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The Town does not have a formal policy establishing criteria above which assets are capitalized. However, major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Donated capital assets are recorded at acquisition value at the date of donation. Capital assets of the Town are depreciated using the straight-line method over the following useful lives:

Building and improvements	40 years
Equipment, machinery and vehicles	5 years
Infrastructure	40 years

- K. Property tax calendar - Property taxes attach as an enforceable lien on property as of April 1st. Property taxes for fiscal year 2020 were payable in one installment due on November 7, 2019. Taxes not paid by the due date were declared delinquent and turned over to the Delinquent Tax Collector.
- L. Interfund balances and transfers – Interfund receivables and payables represent transactions incurred within the fund for other funds. These accounts are expected to be eliminated in the normal course of operations. Interfund transfers represent flows of cash or goods from one fund to another without a requirement for repayment.
- M. Deferred outflows/inflows of resources - In addition to assets and liabilities, deferred outflows of resources and deferred inflows of resources, if applicable, are reported as separate sections in the government-wide statement of net position and the balance sheet - governmental funds. A deferred outflow of resources is a consumption of net assets by the Town that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net assets by the Town that is applicable to a future reporting period.

TOWN OF COVENTRY, VERMONT
Notes to Financial Statements
June 30, 2020

1. Summary of significant accounting policies (continued)

N. Notes receivable - The Town has received grants and advanced funds to other organizations for the purpose of upgrading and constructing affordable housing. Until repaid, loans of grant awards, are offset by deferred inflows, which are taken into revenue as payments are received.

2. Cash and cash equivalents

As of June 30, 2020, the carrying amount of all Town deposits was \$3,094,346.

Custodial credit risk – Custodial credit risk is the risk that, in the event of a bank failure, the Town’s deposits might not be recovered. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2020, the Town’s bank balance was \$3,127,436. Of this amount, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), \$2,877,436 was collateralized through participation in a public unit deposit and backed by a letter of credit from the Federal Home Loan Bank of Boston and \$0 was uninsured and uncollateralized.

3. Investments

As of June 30, 2020, the classification and fair value of investments were as follows:

<u>Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Totals</u>
Money market funds	\$ 43,366	\$ -	\$ -	\$ 43,366
Corporate equity	122,106	-	-	122,106
Mutual funds/ETFs - equity	3,051,639	-	-	3,051,639
Mutual funds/ETFs - int'l equity	1,274,313	-	-	1,274,313
Mutual funds/ETFs - fixed income	3,661,414	-	-	3,661,414
Mutual funds/ETFs - other	401,591	-	-	401,591
	<u>\$ 8,554,429</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,554,429</u>

The Town classifies its investments into Level 1, which refers to investments traded in an active market; Level 2, which refers to investments not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to investments not traded in an active market and for which no significant observable market inputs are available. Generally, Level 3 investments are valued based upon information provided by fund managers, including audited financial statements of the investment fund. The levels relate to valuation only and do not necessarily indicate a measure of risk.

Interest rate risk - Changes in market interest rate will affect the fair value of an interest-earning investment over time. The Town does not have a specific policy regarding interest rate risk. Maturities of interest-earning investments held in mutual funds and ETFs can be found in the annual report of each investment.

Credit risk - The Town’s investment in fixed income bonds are subject to credit risk. Credit risk is the risk that the bond issuer will not fulfill its obligation. The Town does not have a specific investment policy regarding credit risk. The credit rating of interest-earning investments held in mutual funds and ETFs can be found in the annual report of each investment.

Foreign currency risk – The Town’s investments in international equity mutual funds and exchange traded funds (ETFs) are subject to foreign currency risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

TOWN OF COVENTRY, VERMONT
Notes to Financial Statements
June 30, 2020

3. Investments (continued)

Investment policy -The Town adopted a formal investment policy on August 14, 2018, to provide transparent guidelines for the investment advisory relationship between the Town and its investment advisor. The policy identifies that the portfolio objectives are focused on total return and growth with no special considerations or preferences from an investment selection or asset allocation perspective.

4. Capital assets

Changes in governmental activities capital assets consisted of the following:

	Balance July 1, <u>2019</u>	<u>Increase</u>	<u>Decrease</u>	Balance June 30, <u>2020</u>
Capital assets, not depreciated:				
Land	\$ <u>374,694</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>374,694</u>
Capital assets, depreciated:				
Buildings and improvements	1,856,588	-	-	1,856,588
Furniture and equipment	821,286	-	-	821,286
Infrastructure	<u>421,715</u>	<u>213,235</u>	-	<u>634,950</u>
	<u>3,099,589</u>	<u>213,235</u>	<u>-</u>	<u>3,312,824</u>
Less accumulated depreciation for:				
Buildings and improvements	441,625	48,253	-	489,878
Furniture and equipment	735,826	19,075	-	754,901
Infrastructure	<u>20,558</u>	<u>15,610</u>	-	<u>36,168</u>
	<u>1,198,009</u>	<u>82,938</u>	<u>-</u>	<u>1,280,947</u>
Total capital assets depreciated, net	<u>1,901,580</u>	<u>130,297</u>	<u>-</u>	<u>2,031,877</u>
Capital assets, net, governmental activities	\$ <u><u>2,276,274</u></u>	\$ <u><u>130,297</u></u>	\$ <u><u>-</u></u>	\$ <u><u>2,406,571</u></u>

Depreciation expense in the governmental activities totaling \$82,938 was allocated to the following functions: general government \$4,813, highways and streets \$54,717, cemetery \$408, culture and recreation \$23,000.

5. Risk management

The Town is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Town manages these risks through commercial insurance packages and participation in public entity risk pools covering each of those risks of loss.

6. Notes receivable

As of June 30, 2020, the Town reported a note receivable in the principal amount of \$50,000 and accrued interest of \$24,297. Terms of the note require principal and interest repayment of \$376 monthly commencing October 2017 through September 2037. No payments have been received on this note. Interest accrues at a rate of 2.0% compounding annually. As of June 30, 2020, the Town reported a note receivable in the principal amount of \$36,500 due in one installment, September 2037 with no interest.

TOWN OF COVENTRY, VERMONT
Notes to Financial Statements
June 30, 2020

7. Interfund balances

Interfund receivable and payable balances as of June 30, 2020, were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ -	\$ 144,485
Highway Fund	-	50,197
Building and Maintenance Fund	314,204	-
Road Infrastructure Fund	-	79,301
Nonmajor Governmental Funds	-	42,495
Fiduciary - Trust Fund	2,274	-
	<u>\$ 316,478</u>	<u>\$ 316,478</u>

The interfund receivable and payable from the General Fund, Highway Fund, Road Infrastructure Fund and Nonmajor Governmental Funds to the Building and Maintenance Fund and Fiduciary Trust Fund resulted from pooling of cash in a common bank account that has not been reimbursed by the respective fund.

8. Interfund transfers

Interfund transfers for the year ended June 30, 2020, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 600,000
Road Infrastructure Fund	400,000	-
Nonmajor Governmental Funds	200,000	-
	<u>\$ 600,000</u>	<u>\$ 600,000</u>

The transfers from the General Fund to the Road Infrastructure Fund and Nonmajor Governmental Funds were approved at the March 2020 Town Meeting to commit assets for road improvements and other specific activities.

9. Contingencies

The Town receives significant financial assistance from the State of Vermont and Federal Government through grants and other forms of state aid. Entitlement to these resources is generally based on compliance with terms and conditions of grant agreements and applicable regulations, including the expenditure of the resources for eligible purposes. These funds are subject to audit by the granting authority in order to ensure compliance. Any disallowance as a result of these audits becomes a liability of the Town. Management believes that there are no significant contingent liabilities relating to compliance with grant agreements and applicable state regulations.

10. Pension plan - Vermont Municipal Employees' Retirement System

Plan description – The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer, defined benefit pension plan that is administered by the Vermont State Treasurer and its Board of Trustees. The plan was established effective July 1, 1975. The State statutory provisions, found in Title 24, V.S.A. Chapter 125, govern eligibility for benefits, service requirements, contribution requirements and benefit provisions. The general administration and responsibility for formulating administrative policy and procedures of the retirement System for its members and their beneficiaries is vested in the Board of Trustees. All assets are held in a single trust and are available to pay retirement benefits to all members. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State of Vermont's Department of Finance and Management's website.

TOWN OF COVENTRY, VERMONT
Notes to Financial Statements
June 30, 2020

10. Pension plan - Vermont Municipal Employees' Retirement System (continued)

Benefits – Full-time employees of participating municipalities are covered under VMERS. Municipalities elect coverage under Groups A, B, C or D provisions. VMERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on average final compensation, years of creditable service, age upon retirement, and on the benefit structure of the Group. Vesting occurs upon the attainment of five years of creditable service.

Contributions – Municipal employees participating in the plan were required to contribute 2.750%, 5.125%, 10.250%, and 11.600% of gross wages for Groups A, B, C and D, respectively, for the year ended June 30, 2020. Municipal employers were required to contribute 4.250%, 5.750%, 7.500%, and 10.100% of gross wages for Groups A, B, C and D, respectively, for the year ended June 30, 2020.

Employees of the Town are covered under Group B. Town employees contributed \$10,584 to VMERS for the year ended June 30, 2020. The Town contributed \$11,875 to VMERS for the year ended June 30, 2020.

The State of Vermont has provided the following information to all employers participating in VMERS; net pension liability, each Town's proportionate share of the net pension liability, expected rate of return on investments and discount rates. The information specific to the Town is based on its proportionate share of VMERS relative to all participating employers. Actuarial reports and schedules of employer allocations can be obtained by visiting the office of the Vermont State Treasurer at the following internet address: www.vermonttreasurer.gov.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions – As of June 30, 2020, the Town reported a liability of \$81,929 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The Town's proportion of the net pension liability was based on the Town's proportionate share of employer contributions to the total contributions to VMERS during the fiscal year. As of June 30, 2019, the Town's proportion was 0.04722%, which was an increase of 0.00682% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$30,075, related to VMERS. As of June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to VMERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ 10,615	\$ 708
Changes in assumptions	2,735	-
Net difference between projected and actual earnings on pension plan investments	5,580	-
Changes in proportional share of contributions	9,509	-
Town contributions subsequent to the measurement date	-	-
	<u>11,875</u>	<u>-</u>
	<u>\$ 40,314</u>	<u>\$ 708</u>

\$11,875 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized in pension expense over a period of 5 years.

TOWN OF COVENTRY, VERMONT
Notes to Financial Statements
June 30, 2020

10. Pension plan - Vermont Municipal Employees' Retirement System (continued)

Actuarial assumptions – The total pension liability, measured as of June 30, 2019, was based on a June 30, 2018, actuarial valuation using the following actuarial assumptions: investment rate of return 7.50%, salary increases 5.00%, inflation 2.50%, cost of living adjustments 1.15% to 1.30%. Mortality rates were based on RP-2006 tables.

The long-term expected rate of return of pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global equity	29.00%	6.90%
US equity - large cap	4.00%	5.94%
US equity - small/mid cap	3.00%	6.72%
Non-US equity - large cap	5.00%	6.81%
Non-US equity - small cap	2.00%	7.31%
Emerging markets debt	4.00%	4.26%
Core bond	14.00%	1.79%
Non-core bonds	6.00%	3.22%
Short quality credit	5.00%	1.81%
Private credit	5.00%	6.00%
US TIPS	3.00%	1.45%
Core real estate	5.00%	4.26%
Non-core real estate	3.00%	5.76%
Private equity	10.00%	10.81%
Infrastructure/farmland	<u>2.00%</u>	4.89%
	100.00%	

Discount rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions would continue to be made in accordance with the current funding policy at the rates set by the Board of Trustees.

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Town's proportionate share would be if it were calculated using a discount rate that is one percent lower (6.50%) or one percent higher (8.50%) than the current rate:

	1 % Decrease <u>(6.50%)</u>	Current Discount Rate <u>(7.50%)</u>	1 % Increase <u>(8.50%)</u>
Town's proportionate share of the net pension liability	\$ 134,351	\$ 81,929	\$ 38,533

11. Agency funds

The Town acts in an agency capacity for the State of Vermont for the purpose of collecting and distributing property taxes which are used to pay for public education. During the year ended June 30, 2020, the Town collected and distributed \$1,570,668 in education property taxes as instructed by the State of Vermont.

TOWN OF COVENTRY, VERMONT
Notes to Financial Statements
June 30, 2020

12. Governmental fund equity

As of June 30, 2020, governmental fund balances consisted of the following:

	General <u>Fund</u>	Highway <u>Fund</u>	Building & Maintenance <u>Fund</u>	Road Infrastructure <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total <u>Funds</u>
Nonspendable for:						
Prepays	\$ 16,004	\$ -	\$ -	\$ -	\$ -	\$ 16,004
Restricted for:						
Cemetery	-	-	-	-	143,971	143,971
Committed for:						
Building and maintenance	-	-	1,016,801	-	-	1,016,801
Road infrastructure	-	-	-	751,526	-	751,526
Reappraisal	-	-	-	-	152,481	152,481
Flood recovery	-	-	-	-	75,283	75,283
Economic development	-	-	-	-	251,655	251,655
	<u>-</u>	<u>-</u>	<u>1,016,801</u>	<u>751,526</u>	<u>479,419</u>	<u>2,247,746</u>
Unassigned	<u>9,278,437</u>	<u>(50,342)</u>	<u>-</u>	<u>-</u>	<u>(26,348)</u>	<u>9,201,747</u>
	\$ <u>9,294,441</u>	\$ <u>(50,342)</u>	\$ <u>1,016,801</u>	\$ <u>751,526</u>	\$ <u>597,042</u>	\$ <u>11,609,468</u>

Amounts defined as committed in the Building and Maintenance Fund, Road Infrastructure Fund and Nonmajor Governmental Funds have been established under the authority of taxpayer voted articles. Additions to these amounts may be authorized by subsequent taxpayer voted articles.

13. Stabilization agreement

On March 5, 2019, the taxpayers of the Town of Coventry approved Article 18 as written; "Shall all investment funds as accrued and invested to provide future income to the Town be accounted for as a single entity?" As of June 30, 2020, such investments totaled \$8,288,752 and were reported as unassigned fund balance in the General Fund. There are no specific requirements for additions to the stabilization investments. Conditions under which the stabilization investments may be spent have not been established.

14. Deficit fund balance

The Town anticipates eliminating the June 30, 2020, fund deficit in the Solid Waste Fund of \$26,348 through a budget transfer in the General Fund.

15. Concentration of revenue

The Town has a landfill host community agreement ("The Agreement") with New England Waste Services of Vermont, Inc. ("NEWSVT"). NEWSVT is the owner and operator of a landfill located within the Town of Coventry, Vermont. Through the agreement, the Town receives landfill host fees based upon the amount of waste disposed of within the Coventry facility of NEWSVT. Future landfill host fees are contingent upon operating approval of the landfill by the State of Vermont.

During the year ended June 30, 2020, the Town recorded \$1,625,138 in landfill host fees revenue from NEWSVT. As of June 30, 2020, the Town recorded a \$386,812, accounts receivable, due from NEWSVT for such fees.

TOWN OF COVENTRY, VERMONT
Schedule of Revenues and Expenditures
Budget and Actual - General Fund
For the Year Ended June 30, 2020
(Page 1 of 4)

	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
Interest & penalties on delinquent taxes	\$ 9,000	\$ 9,000	\$ 14,543	\$ 5,543
Intergovernmental	5,200	5,200	4,726	(474)
Charges for services	9,700	9,700	15,318	5,618
Landfill host fees	960,000	960,000	1,378,138	418,138
Investment income (loss)	5,000	5,000	390,326	385,326
Miscellaneous	3,600	3,600	10,416	6,816
Total revenues	<u>992,500</u>	<u>992,500</u>	<u>1,813,467</u>	<u>820,967</u>
Expenditures				
Salaries				
Town Clerk	18,554	18,554	18,910	(356)
Assistant Clerk	4,000	4,000	788	3,212
Town Treasurer	9,276	9,276	9,455	(179)
Assistant Treasurer	200	200	-	200
Select Board	3,500	3,500	3,500	-
Select Board Bookkeeper	13,000	13,000	6,427	6,573
Town Administrator	52,000	52,000	53,000	(1,000)
Delinquent Tax Collector	-	-	248	(248)
Delinquent tax penalty due	5,000	5,000	7,450	(2,450)
Health Officer	200	200	200	-
Dog Warden	1,200	1,200	1,200	-
Moderator	100	100	100	-
Ballot Clerks and Board of Civil Authority	1,500	1,500	2,154	(654)
E-911	3,000	3,000	184	2,816
Emergency Management Director	-	-	400	(400)
FICA	8,532	8,532	9,337	(805)
Retirement	4,804	4,804	4,568	236
Health insurance	8,091	8,091	8,814	(723)
Unemployment	197	197	25	172
Total salaries	<u>133,154</u>	<u>133,154</u>	<u>126,760</u>	<u>6,394</u>
Administration				
Audit services	9,750	9,750	9,525	225
Investment advisor	9,000	9,000	12,000	(3,000)
Legal services	18,000	18,000	18,135	(135)
DTS legal services	-	-	8,081	(8,081)
Litigation support	-	-	2,448	(2,448)
Equipment repairs	1,000	1,000	-	1,000
Postage	2,500	2,500	803	1,697
Telephone	2,500	2,500	2,976	(476)
Advertising	1,000	1,000	1,331	(331)
Town Report	4,300	4,300	5,952	(1,652)
Office supplies	3,000	3,000	2,317	683
NEMRC and information technology	2,000	2,000	2,133	(133)
Equipment and furniture	2,000	2,000	2,571	(571)
<i>continued</i>				

TOWN OF COVENTRY, VERMONT
Schedule of Revenues and Expenditures
Budget and Actual - General Fund
For the Year Ended June 30, 2020
(Page 2 of 4)

	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
<i>continued</i>				
Internet and website	1,000	1,000	991	9
Dues and fees	4,500	4,500	1,245	3,255
Seminars and workshops	3,500	3,500	2,931	569
Gifts and donations	500	500	632	(132)
Meals and event hosting	750	750	3,063	(2,313)
Restoration and preservation	500	500	-	500
Miscellaneous	200	200	24	176
Total administration	<u>66,000</u>	<u>66,000</u>	<u>77,158</u>	<u>(11,158)</u>
Listers office				
Assessor - contracted services	13,200	13,200	13,200	-
Assessing Clerk - salary	24,960	24,960	21,750	3,210
Assessor office wages	-	-	45	(45)
Assessing Clerk - retirement	1,435	1,435	1,693	(258)
FICA	1,910	1,910	1,664	246
Education	1,000	1,000	748	252
Postage	200	200	-	200
Supplies	100	100	16	84
Equipment	250	250	143	107
Dues and fees	200	200	-	200
Tax mapping update	2,500	2,500	1,662	838
Mileage	1,500	1,500	311	1,189
Miscellaneous	50	50	-	50
Abatement of property taxes	-	-	1,100	(1,100)
Total Listers office	<u>47,305</u>	<u>47,305</u>	<u>42,332</u>	<u>4,973</u>
Insurance				
Workers compensation	10,000	10,000	1,661	8,339
Property casualty	22,000	22,000	29,661	(7,661)
Total insurance	<u>32,000</u>	<u>32,000</u>	<u>31,322</u>	<u>678</u>
Utilities				
Street lights	2,775	2,775	2,637	138
Community Center building				
Utilities	6,000	6,000	8,717	(2,717)
Cleaning services	9,100	9,100	10,180	(1,080)
Repairs and maintenance	2,500	2,500	1,766	734
Equipment and supplies	1,758	1,758	3,650	(1,892)
Total Community Center building	<u>19,358</u>	<u>19,358</u>	<u>24,313</u>	<u>(4,955)</u>
Emergency shelter				
Emergency shelter	1,500	1,500	815	685
Recreation department				
Supplies and decoration	2,000	2,000	1,739	261
Advertising and postage	750	750	-	750

continued

TOWN OF COVENTRY, VERMONT
Schedule of Revenues and Expenditures
Budget and Actual - General Fund
For the Year Ended June 30, 2020
(Page 3 of 4)

	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
<i>continued</i>				
Coventry Day	-	-	-	-
Events & sponsorships	5,000	5,000	600	4,400
Total recreation department	<u>7,750</u>	<u>7,750</u>	<u>2,339</u>	<u>5,411</u>
Fire department				
Newport City Fire Department	39,000	39,000	42,648	(3,648)
Orleans Fire Department	15,000	15,000	15,480	(480)
Newport Ambulance Service	34,000	34,000	32,221	1,779
Sheriff's Department	7,500	7,500	8,434	(934)
Dry hydrants	1,000	1,000	-	1,000
Total fire department	<u>96,500</u>	<u>96,500</u>	<u>98,783</u>	<u>(2,283)</u>
Planning Commission				
Stipend	1,500	1,500	1,500	-
Administrative Assistant	400	400	362	38
Training	300	300	430	(130)
Postage	50	50	-	50
Town Plan	-	-	155	(155)
Miscellaneous	50	50	625	(575)
Economic development plan	-	-	24,614	(24,614)
Total planning commission	<u>2,300</u>	<u>2,300</u>	<u>27,686</u>	<u>(25,386)</u>
Miscellaneous				
Village Common maintenance	500	500	359	141
Health clubs	3,000	3,000	1,272	1,728
Orleans County Tax	18,500	18,500	17,182	1,318
Appropriations	15,425	15,425	15,425	-
Animal control expenses	250	250	384	(134)
911 signs	100	100	-	100
Miscellaneous	200	200	806	(606)
Total miscellaneous	<u>37,975</u>	<u>37,975</u>	<u>35,428</u>	<u>2,547</u>
Solid waste implementation plan committee				
Household hazardous waste days	9,000	9,000	7,805	1,195
School outreach	3,000	3,000	-	3,000
Business outreach	1,000	1,000	-	1,000
Office and other expense	300	300	39	261
Total solid waste	<u>13,300</u>	<u>13,300</u>	<u>7,844</u>	<u>5,456</u>
Cemetery Commission				
General	3,000	3,000	821	2,179
Salaries	7,300	7,300	7,300	-
FICA	558	558	558	-
Equipment and maintenance	550	550	1,542	(992)
<i>continued</i>				

TOWN OF COVENTRY, VERMONT
Schedule of Revenues and Expenditures
Budget and Actual - General Fund
For the Year Ended June 30, 2020
(Page 4 of 4)

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
<i>continued</i>				
Miscellaneous	100	100	-	100
Total cemetery association	<u>11,508</u>	<u>11,508</u>	<u>10,221</u>	<u>1,287</u>
Total expenditures	<u>471,425</u>	<u>471,425</u>	<u>487,638</u>	<u>(16,213)</u>
Excess of revenues or (expenditures)	521,075	521,075	1,325,829	804,754
Other financing sources (uses)				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>(600,000)</u>	<u>(600,000)</u>
Net change in fund balances	\$ <u>521,075</u>	\$ <u>521,075</u>	\$ <u>725,829</u>	\$ <u>204,754</u>

TOWN OF COVENTRY, VERMONT
Schedule of Revenues and Expenditures
Budget and Actual - Highway Fund
For the Year Ended June 30, 2020
(Page 1 of 2)

	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
Intergovernmental	\$ 82,000	\$ 82,000	\$ 84,070	\$ 2,070
Landfill host fees	247,000	247,000	247,000	-
Miscellaneous	-	-	367	367
Total revenues	<u>329,000</u>	<u>329,000</u>	<u>331,437</u>	<u>2,437</u>
Expenditures				
Highway				
FICA	8,932	8,932	7,820	1,112
Health insurance	8,091	8,091	8,814	(723)
Retirement	5,909	5,909	5,613	296
Life insurance	738	738	639	99
Road permit fee	1,350	1,350	-	1,350
Equipment repairs	26,000	26,000	29,427	(3,427)
Building repairs	2,000	2,000	648	1,352
Gravel pit permitting	300	300	350	(50)
Supplies	1,500	1,500	6,942	(5,442)
Utilities - Main Street garage	3,000	3,000	3,646	(646)
Utilities - Route 14 garage	4,000	4,000	6,710	(2,710)
Propane	250	250	-	250
Uniforms	3,000	3,000	2,750	250
Road signs	400	400	2,323	(1,923)
Miscellaneous	250	250	-	250
Total highway	<u>65,720</u>	<u>65,720</u>	<u>75,682</u>	<u>(9,962)</u>
Highway department - winter				
Road Commissioner salary	28,982	28,982	29,540	(558)
Full-time road crew salary	22,398	22,398	18,694	3,704
Part-time road crew salary	9,000	9,000	14,810	(5,810)
Equipment leases/rentals	500	500	650	(150)
Road maintenance	23,000	23,000	25,907	(2,907)
Fuel	13,500	13,500	17,016	(3,516)
Equipment	7,000	7,000	1,847	5,153
Parts	2,500	2,500	(75)	2,575
Miscellaneous	300	300	-	300
Total highway department - winter	<u>107,180</u>	<u>107,180</u>	<u>108,389</u>	<u>(1,209)</u>
Highway department - summer				
Road Commissioner salary	28,982	28,982	29,540	(558)
Full-time road crew salary	22,398	22,398	18,694	3,704
Part-time road crew salary	5,000	5,000	6,289	(1,289)
Equipment leases/rentals	6,000	6,000	5,070	930
Other contracted services	7,500	7,500	5,849	1,651
<i>continued</i>				

TOWN OF COVENTRY, VERMONT
Schedule of Revenues and Expenditures
Budget and Actual - Highway Fund
For the Year Ended June 30, 2020
(Page 2 of 2)

	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
<i>continued</i>				
Road maintenance	67,000	67,000	57,910	9,090
Fuel	12,000	12,000	7,466	4,534
Equipment	5,000	5,000	625	4,375
Parts	2,000	2,000	-	2,000
Miscellaneous	220	220	-	220
Total highway department - summer	<u>156,100</u>	<u>156,100</u>	<u>131,443</u>	<u>24,657</u>
Total expenditures	<u>329,000</u>	<u>329,000</u>	<u>315,514</u>	<u>13,486</u>
Net change in fund balances	\$ <u> -</u>	\$ <u> -</u>	\$ <u>15,923</u>	\$ <u>15,923</u>

TOWN OF COVENTRY, VERMONT
Schedule of Proportionate Share of the Net Pension Liability
June 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
VMERS						
Town's proportion of the net pension liability	0.04722%	0.04040%	0.03441%	0.02908%	0.02660%	0.01665%
Town's proportionate share of the net pension liability	\$ 81,929	\$ 56,861	\$ 41,692	\$ 37,419	\$ 20,506	\$ 1,520
Town's covered payroll	\$ 161,300	\$ 128,720	\$ 102,181	\$ 80,345	\$ 69,172	\$ 39,957
Town's proportionate share of the net pension liability as a percentage of its covered payroll	50.79%	44.17%	40.80%	46.57%	29.64%	3.80%
Plan fiduciary net position as a percentage of the total pension liability	80.35%	82.60%	83.64%	80.95%	87.42%	98.32%

Notes to schedule:

Data presented as of the measurement date. Historical information prior to implementation of GASB 68 is not required.
The plan provisions used in the measurement of the net pension liability are the same as those used in the actuarial valuation as of June 30, 2018.

TOWN OF COVENTRY, VERMONT
Schedule of Pension Contributions
For the year ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
VMERS						
Contractually required contribution	\$ 11,875	\$ 9,073	\$ 7,080	\$ 5,620	\$ 4,419	\$ 3,718
Contributions in relation to the contractually required contribution	<u>(11,875)</u>	<u>(9,073)</u>	<u>(7,080)</u>	<u>(5,620)</u>	<u>(4,419)</u>	<u>(3,718)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Town's covered payroll	<u>206,519</u>	<u>161,300</u>	<u>128,720</u>	<u>102,181</u>	<u>80,345</u>	<u>69,172</u>
Contributions as a percentage of covered payroll	5.750%	5.625%	5.500%	5.500%	5.500%	5.375%

Note to schedule:

Historical information prior to implementation of GASB 68 is not required.

TOWN OF COVENTRY, VERMONT
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2020

	Special Revenue Funds					Total Non-major Governmental Funds	
	Solid Waste Fund	Reappraisal Fund	Flood Recovery Fund	Economic Development Fund	Cemetery Fund		Gilman Housing Fund
Assets							
Cash and cash equivalents	\$ 14,318	\$ 155,141	\$ 71,461	\$ 251,655	\$ -	\$ -	\$ 492,575
Due from other governments	-	-	3,391	-	-	-	3,391
Notes receivable	-	-	-	-	-	86,500	86,500
Interest receivable	-	-	-	-	-	24,297	24,297
Investments	-	-	-	-	143,571	-	143,571
Due from other funds	-	-	431	-	400	-	831
Total assets	\$ 14,318	\$ 155,141	\$ 75,283	\$ 251,655	\$ 143,971	\$ 110,797	\$ 751,165
Liabilities, deferred inflows and fund balances							
Liabilities:							
Due to other funds	\$ 40,666	\$ 2,660	\$ -	\$ -	\$ -	\$ -	\$ 43,326
Deferred inflows of resources:							
Unavailable grant revenue	-	-	-	-	-	110,797	110,797
Fund balances:							
Restricted	-	-	-	-	143,971	-	143,971
Committed	-	152,481	75,283	251,655	-	-	479,419
Unassigned	(26,348)	-	-	-	-	-	(26,348)
Total fund balances	(26,348)	152,481	75,283	251,655	143,971	-	597,042
Total liabilities, deferred inflows and fund balances	\$ 14,318	\$ 155,141	\$ 75,283	\$ 251,655	\$ 143,971	\$ 110,797	\$ 751,165

See accompanying independent auditor's report

TOWN OF COVENTRY, VERMONT
Combining Schedule of Revenues, Expenditures and Changes
in Fund Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2020

	Special Revenue Funds					Total Non-major Governmental Funds	
	Solid Waste Fund	Reappraisal Fund	Flood Recovery Fund	Economic Development Fund	Cemetery Fund		Gilman Housing Fund
Revenues							
Intergovernmental	\$ -	\$ 5,871	\$ 3,391	\$ -	\$ -	\$ -	\$ 9,262
Charges for services	-	-	-	-	400	-	400
Donations	-	-	-	-	14,980	-	14,980
Investment income (loss)	<u>224</u>	<u>2,380</u>	<u>845</u>	<u>1,655</u>	<u>1,284</u>	<u>-</u>	<u>6,388</u>
Total revenues	<u>224</u>	<u>8,251</u>	<u>4,236</u>	<u>1,655</u>	<u>16,664</u>	<u>-</u>	<u>31,030</u>
Expenditures							
Current:							
General government	-	87,219	-	-	-	-	87,219
Highways, streets & bridges	<u>-</u>	<u>-</u>	<u>28,953</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,953</u>
Total expenditures	<u>-</u>	<u>87,219</u>	<u>28,953</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,172</u>
Excess of revenues or (expenditures)	224	(78,968)	(24,717)	1,655	16,664	-	(85,142)
Other financing sources							
Transfers in (out)	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
Net change in fund balances	224	(28,968)	(24,717)	151,655	16,664	-	114,858
Fund balances, beginning of year	<u>(26,572)</u>	<u>181,449</u>	<u>100,000</u>	<u>100,000</u>	<u>127,307</u>	<u>-</u>	<u>482,184</u>
Fund balances, end of year	\$ <u>(26,348)</u>	\$ <u>152,481</u>	\$ <u>75,283</u>	\$ <u>251,655</u>	\$ <u>143,971</u>	\$ <u>-</u>	\$ <u>597,042</u>

See accompanying independent auditor's report

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Select Board
Town of Coventry, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Coventry, Vermont, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Coventry, Vermont's basic financial statements and have issued our report thereon dated July 16, 2021, in which our opinions were qualified and unmodified.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Coventry, Vermont's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Coventry, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Coventry, Vermont's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings, we did identify certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings as 2020-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings as 2020-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Coventry, Vermont's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Select Board
Town of Coventry, Vermont

Response to Findings

The Town of Coventry, Vermont has not reported management's response to the findings as required by *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pace & Hawley, LLC

Berlin, Vermont
July 16, 2021

TOWN OF COVENTRY, VERMONT
Schedule of Findings
For the Year Ended June 30, 2020

2020-001: Balance Sheet Accounts

Condition: The following general ledger balance sheet accounts were not properly reconciled and adjusted at fiscal year-end: cash, property tax receivables, investments, capital assets, and education property tax liabilities. Furthermore, the bank account reconciliation function incorporated with the general ledger does not reconcile to a previous point-in-time.

Criteria: Reconciling general ledger balance sheet accounts, and reviewing the reconciliations, are critical internal control procedures to ensure that the Town's financial statements are properly reported in accordance with Generally Accepted Accounting Principles.

Cause: Town personnel did not have enough time to devote to this matter.

Effect: Without reconciliation, and correction of any identified discrepancies, the Town's financial statements would be misstated. We proposed numerous material audit adjustments to accurately report these balances as of June 30, 2020.

Recommendation: We recommend that the Town develop and document procedures to ensure that all significant balance sheet accounts are reconciled at a minimum at the end of the fiscal year. The process should include procedures to identify and correct differences between known documentation and the general ledger. Additionally, a proper bank reconciliation should be completed monthly that reconciles the end-of-month bank balance to the end-of-month general ledger balance.

2020-002: Treasurer's Responsibilities

Condition: The Treasurer has bank signature authority and access to the Town's general ledger accounting system. Generally, these are duties that should be segregated to separate individuals.

Criteria: Best practice related to internal control over financial statements.

Cause: The Town recently experienced turnover in a key employment position.

Effect: Town assets could potentially be misappropriated without detection.

Recommendation: Given the recent change in Town personnel, including the Town Administrative Assistant, we recommend that the Town review the current roles and responsibilities for each position and evaluate if sufficient mitigating controls are in place to minimize the risk associated with the lack of segregation of duties between the treasury and accounting functions.